

**SEWERAGE DISTRICT NO. 5
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA**

**ANNUAL COMPONENT UNIT
FINANCIAL STATEMENTS
For the Year Ended
September 30, 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/1/09

SEWERAGE DISTRICT NO. 5
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

Annual Component Unit Financial Statements
with Independent Auditors' Report

and

Independent Auditors' Report on
Internal Accounting Control and Compliance

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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INDEPENDENT AUDITORS' REPORT

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

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HERBERT J. ADAMS, JR., C.P.A.

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MEMBERS:

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Sewerage District No. 5
Post Office Box 119
Centerville, LA 70522-0119

We have audited the accompanying financial statements of the Sewerage District No. 5, of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, as of and for the year ended September 30, 2008, which collectively comprise the Sewerage District No. 5's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

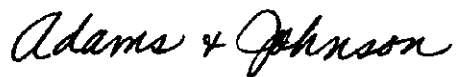
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sewerage District No. 5 as of September 30, 2008, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. However, management elected not to include this information in the financial statements for the year ended September 30, 2008.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Sewerage District No 5's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison information is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2009 on our consideration of the Sewerage District No 5's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
February 25, 2009

FINANCIAL STATEMENTS

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Statement of Net Assets
September 30, 2008

	Governmental Activities
ASSETS	
Cash and cash investments	\$ 356,152
Prepaid expenses	10,786
Accounts receivable	22,786
Due from Water Works Dist #5	18,067
Deposits	65
Restricted assets:	
Cash and cash investments	178,479
Capital assets:	
Building	138,093
Sewerage treatment facility	6,728,296
Vehicles	56,107
Equipment	217,810
Furniture	2,913
Accumulated depreciation	<u>(4,514,216)</u>
 Total Assets	 <u><u>\$ 3,215,338</u></u>
LIABILITIES	
Compensated absences	\$ 3,763
Accounts payable	7,235
Accrued interest payable	823
Refundable deposits	21,138
Long-term liabilities:	
Due within one year	100,000
Due after one year	<u>409,370</u>
Total Liabilities	<u>\$ 542,329</u>
NET ASSETS	
Invested in capital assets net of debt	\$ 2,119,633
Restricted for:	
Debt service	96,317
Capital projects	82,162
Unrestricted	<u>374,897</u>
Total Net Assets	<u>2,673,009</u>
 Total Liabilities and Net Assets	 <u><u>\$ 3,215,338</u></u>

The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO.5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Statement of Activities
For the Year Ended September 30, 2008

	<u>Governmental Activities</u>
EXPENDITURES	
Advertising	\$ 572
Auto allowance	8,474
Dues and subscriptions	365
Chemicals	2,990
Computer expenses	1,590
Depreciation	322,863
Interest	12,775
Insurance - general	15,562
Lab testing	1,455
Legal and auditing	6,895
Office expense	1,530
Per diems	3,960
Pond maintenance	1,546
Repairs and maintenance	39,181
Supplies	2,530
Utilities	30,015
Telephone	704
Training	1,211
Personal services	146,973
Total Expenditures	<u>\$ 601,191</u>
REVENUE	
Property taxes	\$ 204,716
Interest income	17,202
Sewer user fees	202,394
Other income	21,427
Parish Council grant (sewer)	271,548
Loss on asset disposal	(12,791)
Total Revenues	<u>\$ 704,496</u>
Change in net assets	\$ 103,305
Net assets, beginning of year	<u>2,569,704</u>
Net assets, end of year	<u><u>\$ 2,673,009</u></u>

The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Combined Balance Sheet
All Fund Types and Account Groups
September 30, 2008

	General Fund	Debt Service Funds	Capital Projects Fund	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 356,152	\$ 96,317	\$ 82,162	\$ 534,631
Deposits	65	-	-	65
Prepaid insurance	10,786	-	-	10,786
Accounts receivable	22,786	-	-	22,786
Due from Water Works Dist #5	18,067	-	-	18,067
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 407,856</u>	<u>\$ 96,317</u>	<u>\$ 82,162</u>	<u>\$ 586,335</u>
<u>Liabilities</u>				
Compensated absences	\$ 3,763	-	-	\$ 3,763
Accounts payable	7,235	-	-	7,235
Refundable deposits	21,138	-	-	21,138
Total Liabilities	<u>\$ 32,136</u>	<u>-</u>	<u>-</u>	<u>\$ 32,136</u>
<u>Fund Balances</u>				
Reserved for:				
Debt service	-	\$ 96,317	-	\$ 96,317
Capital project	-	-	82,162	82,162
Unreserved - undesignated	375,720	-	-	375,720
Total Fund Balances	<u>\$ 375,720</u>	<u>\$ 96,317</u>	<u>\$ 82,162</u>	<u>\$ 554,199</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 407,856</u>	<u>\$ 96,317</u>	<u>\$ 82,162</u>	<u>\$ 586,335</u>

The accompanying notes are an integral part of these financial statements.

SEWERAGAE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

*Reconciliation of the Government Funds Balance Sheet
to the Government-Wide Statement of Net Assets
September 30, 2008*

Total Fund Balances - Governmental Funds (Page 5)	554,199
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The purchase of capital assets are reported as expenditures as they are incurred in the government funds. The Statement of Net Assets reports capital assets as an asset and these capital assets are depreciated over their estimated useful lives and are reflected as depreciation expense in the Statement of Activities.

Cost of Capital Assets at September 30, 2008	7,143,219
Less: Accumulated Depreciation as of September 30, 2008	(4,514,216)

Interest payable on long-term debts does not require current financial resources. Therefore interest payable is not reported as a liability in the governmental funds balance sheet.

(823)

Long-term liabilities are not due and payable in the current period and, therefore, they are not required in the governmental funds balance sheet.

(509,370)

Net Assets - Government - Wide Statement (Page 3)	<u><u>2,673,009</u></u>
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The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended September 30, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<u>Revenues</u>				
Property taxes	\$ 204,716	-	-	\$ 204,716
Interest earned	10,697	3,286	3,219	17,202
Sewer user fees	202,394	-	-	202,394
Other income	21,427	-	-	21,427
Parish Council grant (Sewer)	-	-	271,548	271,548
<u>Total revenues</u>	<u>\$ 439,234</u>	<u>\$ 3,286</u>	<u>\$ 274,767</u>	<u>\$ 717,287</u>
<u>Expenditures</u>				
Personal services	\$ 146,973	-	-	\$ 146,973
Operating services	118,580	-	-	118,580
Capital outlay	41,092	-	307,143	348,235
Debt services:				
Bond principal	-	95,000	-	95,000
Interest and fiscal charges	-	13,006	-	13,006
<u>Total expenditures</u>	<u>\$ 306,645</u>	<u>\$ 108,006</u>	<u>\$ 307,143</u>	<u>\$ 721,794</u>
Revenues over (under) expenditures	<u>\$ 132,589</u>	<u>\$ (104,720)</u>	<u>\$ (32,376)</u>	<u>\$ (4,507)</u>
Other financing sources (uses)				
Transfer in	11,379	111,137	(11,379)	111,137
Transfer out	(111,137)	(2,417)	2,417	(111,137)
Loan Proceeds	-	-	-	-
<u>Total financing sources (uses)</u>	<u>\$ (99,758)</u>	<u>\$ 108,720</u>	<u>\$ (8,962)</u>	<u>\$ -</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 32,831</u>	<u>\$ 4,000</u>	<u>\$ (41,338)</u>	<u>\$ (4,507)</u>
Beginning of year	<u>\$ 342,889</u>	<u>\$ 92,317</u>	<u>\$ 123,500</u>	<u>\$ 558,706</u>
Fund Balances at end of year	<u>\$ 375,720</u>	<u>\$ 96,317</u>	<u>\$ 82,162</u>	<u>\$ 554,199</u>

The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Reconciliation of the Government
Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Statement of Activities
September 30, 2008

Net change in fund balance - total governmental funds (Page 7)	\$ (4,507)
Government funds report capital outlay as expenditures.	348,235
However, in the statement of activities the cost of these assets are allocated over their useful lives and reported as depreciation expense.	(322,863)
Principal repayment	95,000
Loss on Asset Disposal	(12,791)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest is not reported as an expenditure in governmental funds.	<u>231</u>
Changes in net assets of governmental activities (Page 4)	<u>\$ 103,305</u>

The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana was created by Ordinance No. 298 of the St. Mary Parish Police Jury, on February 24, 1984, for the purpose of establishing, acquiring, constructing, maintaining and operating a sewerage system for the benefit of the people of the District. The District encompasses all of the territory situated in Ward Four of St. Mary Parish.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517, and to the guides set forth in Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A) REPORTING ENTITY

GASB Statement No. 14, ***Governmental Reporting Entity***, established criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. Sewerage District No. 5, of the Parish of St. Mary, State of Louisiana, is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 2008. Sewerage District No. 5 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

B) CHANGE IN ACCOUNTING

This financial statement has been prepared in conformity with GASB No. 34. In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) CHANGE IN ACCOUNTING (Continued)

GASB Statement No. 34 creates new basic financial statements for reporting on Sewerage District No. 5's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which had been the method of presentation in previously issued financial statements. Non-major funds are presented in total in one column in the fund financial statements.

C) BASIS OF PRESENTATION

Sewerage District No. 5's financial statements consist of the government-wide statements on all activities and the governmental fund financial statements.

Government-Wide Financial Statements:

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities for all activities of Sewerage District No. 5. The government-wide presentation is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Fund Financial Statements:

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of statement GASB No. 34. The accounts of Sewerage District No. 5 are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following is the Governmental Fund of the Sewerage District No. 5:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF PRESENTATION (Continued)

Fund Financial Statements: (Continued)

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Project Fund – This fund is used to account for all resources for the acquisition or construction of capital facilities by the District.

D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Fund Financial Statements:

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing resources) and decreases (expenditures and other financing uses) in current assets.

The governmental fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligations long-term debt, if any, is recognized when due. Allocations of cost such as depreciation are not recognized in governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

F) BUDGETS

The District is required by state law to legally adopt an annual budget for the General Fund. This budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP).

Annual operating budgets are plans of current expenditures and the proposed means of financing them. Budgets are the primary means by which the acquisition, spending and service delivery activities of a government are legally controlled. The Board members must approve any revisions that alter the total expenditures. Budgeted amounts shown are as originally adopted and as amended by the Board.

G) BAD DEBTS

The financial statements contain no allowance for uncollectible accounts receivable which is a generally accepted accounting principle. Uncollectible receivables are charged off at the time information becomes available which would indicate the uncollectibility of the particular receivable. The failure to utilize the allowance method to account for bad debts is not material to the financial statements.

H) CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) CAPITAL ASSETS (Continued)

Government-Wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Depreciation of all exhaustible capital assets are recorded as a depreciation expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Sewerage treatment facility	20 - 40 years
Equipment	5 - 12 years
Furniture	5 - 7 years
Vehicles	5 years

Fund Financial Statements:

In the fund financial statements, capital assets used in government fund operation are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

I) LONG-TERM OBLIGATIONS

In the government-wide financial statements, debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

J) NET ASSETS/ FUND BALANCE

In the Statement of Net Assets, the difference between a government's assets and liabilities are recorded as net assets. The three components of net assets are as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) NET ASSETS/ FUND BALANCE(Continued)

Restricted Net Assets

Net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are the components of restricted net assets.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

K) CASH AND CASH EQUIVALENTS

For financial statement purposes, cash and cash equivalents include demand deposits and certificates of deposit which have a maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates market. The District may deposit funds with a fiscal agent bank and certain other financial institutions. State statutes authorize the District to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of the U.S. government instruments which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificate of deposit or savings accounts; mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies; Louisiana Asset Management Pool (LAMP); and any other investment allowed by state statute for local governments.

Investments are stated at cost or amortized cost when applicable.

NOTE 2 – CASH AND INTEREST BEARING DEPOSITS

As of September 30, 2008 the District's cash and interest bearing deposits are as follows:

	<u>Stated Value</u>	<u>Book Balance</u>
Checking and money market accounts	\$ 59,216	\$ 51,026
Certificate of deposits	---	---
LAMP	<u>483,605</u>	<u>483,605</u>
Total	<u>\$ 542,821</u>	<u>\$ 534,631</u>

NOTE 2 – CASH AND INTEREST BEARING DEPOSITS (Continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the market value of pledged securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal bank in a holding or custodial bank that is mutually acceptable to both parties. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits.

Under the provision of the Governmental Accounting Standards Board (GASB) codification, accounts secured by securities which are not in the name of the governmental unit and held by the governmental unit or its agent are considered uncollateralized.

The Sewerage District deposits are categorized to give an indication of the level of risk assumed by the Sewerage District No. 5 at September 30, 2008. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized or securities uninsured or unregistered and held by the counter party. This includes GNMA Pool investments and mutual fund shares held in "book-entry-only" form by brokerage firms.

Cash and interest bearing deposits categorized by level of risk are:

Category 1 -	\$ 51,026
Category 2 -	----
Category 3 -	----
Total	<u>\$ 51,026</u>

Investments held by the District consist of \$483,605 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.165, the investment in LAMP as of September 30, 2008 is not categorized in the three risk categories provided by GASB Codification 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA R.S. 33:2955.

NOTE 2 – CASH AND INTEREST BEARING DEPOSITS (Continued)

Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares. Due to this immediate access feature, investments in LAMP are considered cash equivalents by the District.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

NOTE 3 - TAXES

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and an enforceable lien attaches to the property on January 1. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District receives most of the ad valorem taxes in January and February. During the year ended September 30, 2008 the District adopted a resolution to levy 5.5 mills on the 2008 tax roll on all property subject to taxation within the boundaries of the District for the purpose of paying the cost of constructing, improving, maintaining and operating sewerage facilities in the District.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

	Balance 9/30/07	Additions	Retirements	Balance 9/30/08
Governmental Activities:				
Capital assets not being depreciated:				
Construction in Progress	181,674	307,143	(488,817)	-
Total	181,674	307,143	(488,817)	-
Capital assets being depreciated:				
Building 17% Interest	138,093	-	-	138,093
Sewerage Treatment Facility	6,200,943	527,353	-	6,728,296
Vehicles	56,107	-	-	56,107
Equipment	250,429	2,556	(35,175)	217,810
Furniture	4,613	-	(1,700)	2,913
Total	6,650,185	529,909	(36,875)	7,143,219
Less accumulated depreciation				
Building 17% Interest	(14,118)	(3,581)	-	(17,699)
Sewerage Treatment Facility	(4,087,310)	(284,444)	-	(4,371,754)
Vehicles	(12,997)	(11,103)	-	(24,100)
Equipment	(96,941)	(23,196)	22,383	(97,754)
Furniture	(4,072)	(539)	1,702	(2,909)
Total accumulated depreciation	(4,215,438)	(322,863)	24,085	(4,514,216)
Total capital assets being depreciated, net	2,434,747	207,046	(12,790)	2,629,003
Governmental activities capital activities, net	2,616,421	514,189	(501,607)	2,629,003

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in the District's long-term debt account group:

	<u>General Obligation</u>
Bonds payable September 30, 2007	\$ 480,000
Retirements	<u>(95,000)</u>
Bonds payable September 30, 2008	<u>\$ 385,000</u>

Bonds payable at September 30, 2008 are comprised of the following individual issues:

\$250,000 Sewerage System Bonds, Series 2004, due in annual installments of \$40,000 to \$55,000 through March 1, 2009, interest fixed at 3.25% payable from ad valorem taxes of the District.

\$ 55,000

Municipal Facilities Revolving Loan (MFRL) for a loan amount of up to \$1,058,000. The total loan funded as of September 30, 2004 is \$807,805 due in annual installments of \$35,000 to \$50,000 through March 2015; interest fixed at 2.45% financed through the issuance of Sewerage Revenue Bonds Series 1994.

330,000

Bonds payable at September 30, 2008

\$ 385,000

Loan Payable St. Mary Parish Council

On July 23, 2007 The Sewerage District 5, borrowed \$124,370 from the St. Mary Parish Council interest free to purchase duckweed harvesting equipment. The loan must be repaid in four annual installments of \$25,000 and one final installment of \$24,370; the first payment due on or before two years from the date of this agreement and the remaining installments being due on the same said date each year thereafter until paid.

\$ 124,370

Total Long-Term Debt

\$ 509,370

NOTE 5 - LONG-TERM DEBT (Continued)

The following is an approximation of future long-term debt requirements at September 30, 2008:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	100,000	8,428	108,428
2010	70,000	6,431	76,431
2011	70,000	5,329	75,329
2012	70,000	4,226	74,226
2013	75,000	3,062	78,062
2014-2015	<u>124,370</u>	<u>2,450</u>	<u>126,820</u>
			-
	<u>\$ 509,370</u>	<u>\$ 29,926</u>	<u>\$ 539,296</u>

The District is subject to certain affirmative and negative covenants pursuant to its bond agreements. These covenants include but are not limited to:

1. Establishment and funding of certain debt service funds.
2. Preparation and adoption of budgets.
3. Preparation of independent audit of financial statements.
4. Restriction as to additional debt issuance.
5. Restriction as to investments.

NOTE 6 – PENSION PLAN

The District's employees are covered under the Employees Parochial Retirement System of Louisiana. The District opted to enter this retirement system instead of continuing with Social Security. The District began participation on January 1, 1997 and made contributions to this plan of \$ 13,785 for the year ended September 30, 2008. All full-time eligible employees of the District are members of the Parochial Employees Retirement System of Louisiana, a multiple-employer (cost-sharing) public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All eligible employees of the District are members of Plan A.

All eligible employees working at least 28 hours per week who are paid wholly or in part from the District's funds are eligible to participate in the system. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to retirement benefits, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service.

NOTE 6 – PENSION PLAN (Continued)

Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Funding Policy: Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rate for the years ended September 30, 2008 and September 30, 2007 were 12.75% and 13.25% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or calling (225) 928-1361.

NOTE 7 – JOINT VENTURE / RELATED PARTIES

The Sewerage District No. 5, Waterworks District No. 5, and the Fire Protection District No. 2 are component units of the Parish. During the year ended September 30, 2002 they entered into a local services/cooperative endeavor agreement to jointly construct a multi-purpose building. The ownership interest is based on the following percentages: The Fire Protection District No. 2 - 66%, Sewerage District No. 5 - 17% and Water District No. 5 - 17%.

The estimated cost of the building is approximately \$695,000 which will be funded by a \$530,000 St. Mary Parish grant with the remaining balance being funded by each District based on their ownership percentage. As of September 30, 2004 the building was completed and the District has incurred cost to date of \$136,474 on their share of the multi-purpose building. The Districts shall be responsible for maintenance of their respective portions of the multi-purpose building. Maintenance of the grounds surrounding the building shall be shared by the Districts.

NOTE 8 - COMPENSATION OF COMMISSIONERS

The Commissioners of the District received the following per diems for the year ended September 30, 2008:

<u>Commissioners</u>	<u>Amount</u>
Wendell C. Bogan	\$ 900
Phelo J. Keller	1,020
Hayward Verdun	660
William Lanclos	780
Wilfred Fields	480
Brent Young	120
Total	<u>\$ 3,960</u>

NOTE 9 – COMPENSATED ABSENCES

Employees earn vacation and sick leave annually at varying rates depending upon length of service. These compensated absences are allowed to accumulate from period to period if not used. The maximum amount of vacation days that can be carried over is 10 working days and must be taken by the employee within 45 days after the year earned. Sick leave shall be accrued at the rate of one day per month up to 12 days per year. An employee cannot accrue more than 120 days of sick leave.

Upon termination an employee is compensated for the accumulated vacation time, but employees are not compensated for sick time unless termination is due to normal retirement. Normal retirement is when the employee meets the required qualifications to retire from the Parochial Retirement System.

As of September 30, 2008, the District's employees had \$36,387 in accumulated sick pay. The portion of this accumulated sick pay estimated to be due to employees retiring within the next year is recorded as a current liability. The District did not have any employees eligible for retirement within the next year, therefore, we did not record a current liability.

As of September 30, 2008, the District had accrued a current liability of \$3,763 in accumulated vacation pay.

NOTE 10 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2008, were as follows:

Transfer (to) from	General Fund	Debt Service Fund	Capital Project Fund	Total
General Fund	\$ -	\$ (111,370)	11,379	\$ (99,991)
Debt Service Fund	111,370	-	(2,417)	108,953
Capital Project Fund	(11,379)	2,417	-	(8,962)
Total	\$ 99,991	\$ (108,953)	\$ 8,962	\$ -

SUPPLEMENTARY INFORMATION

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

General Fund
Schedule of Personal and Operating Expenditures
For the Year Ended September 30, 2008

	Governmental Fund Type <u>General Fund</u>
Personal services	
Salaries	\$ 106,807
Payroll taxes and retirement	15,410
Group insurance	<u>24,756</u>
Total personal services	<u>\$ 146,973</u>
Operating services	
Advertising	\$ 572
Auto allowance	8,474
Dues and subscriptions	365
Chemicals	2,990
Computer expenses	1,590
Insurance general	15,562
Lab testing	1,455
Legal and accounting	6,895
Office expense	1,530
Per diem	3,960
Pond maintenance	1,546
Repairs and maintenance	39,181
Supplies	2,530
Utilities	30,015
Telephone	704
Training	<u>1,211</u>
Total operating services	<u>\$ 118,580</u>

The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Schedule of Insurance in Force
For the Year Ended September 30, 2008

(Unaudited)

<u>Insurer</u>	<u>Type of Insurance</u>	<u>Coverage</u>	<u>Expiration</u>
L.W.C.C. Ins.	Workers' Compensation		
	By Each Accident	\$100,000	09/02/09
	By Disease Policy Limit	\$500,000	
	By Disease Each Employee	\$100,000	
AIG Ins.	Vehicles		
	General Aggregate	\$500,000	08/20/09
	Each Occurrence	\$500,000	
Rural Special Districts Ins.	General Liability and Public Officials Liability		
	General Aggregate	\$3,000,000	09/02/09
	Each Occurrence	\$1,000,000	
	Fire	\$100,000	
AXIS Surplus Ins.	Property		
	Building	\$650,000	07/18/09
	Contents	\$40,000	
CNA Surety	Commercial Crime Policy	\$50,000	10/10/09

SEWERAGE DISTRICT NO. 5
OF THE PARISH
OF ST. MARY
STATE OF LOUISIANA
DEBT SERVICE FUND

Combined Balance Sheets
September 30, 2008

	2004 Sinking Fund	1994 Sinking Fund	1994 Reserve Fund	Total Debt Service Fund
<u>Assets and Other Debits</u>				
Cash and cash equivalents	\$ 1,272	\$ 40,857	\$ 54,188	\$ 96,317
Total assets & other debits	<u>\$ 1,272</u>	<u>\$ 40,857</u>	<u>\$ 54,188</u>	<u>\$ 96,317</u>
<u>Liabilities, Equity, and Other Credits</u>				
Fund balances				
Reserved for debt service	\$ 1,272	\$ 40,857	\$ 54,188	\$ 96,317
Total fund balances	<u>1,272</u>	<u>40,857</u>	<u>54,188</u>	<u>96,317</u>
Total liabilities, equity, and other credits	<u>\$ 1,272</u>	<u>\$ 40,857</u>	<u>\$ 54,188</u>	<u>\$ 96,317</u>

The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Combined Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended September 30, 2008

	2004 Sinking Fund	1994 Sinking Fund	1994 Reserve Fund	Total Debt Service Fund
<u>Revenues</u>				
Interest	\$ 310	\$ 1,226	\$ 1,750	\$ 3,286
Total revenues	\$ 310	\$ 1,226	\$ 1,750	\$ 3,286
<u>Expenditures</u>				
Debt Services:				
Bond principal	\$ 55,000	\$ 40,000	-	\$ 95,000
Interest and fiscal charge	2,681	10,325	-	13,006
Total expenditures	\$ 57,681	\$ 50,325	-	\$ 108,006
Excess (deficiency) of revenues over expenditures	\$ (57,371)	\$ (49,099)	\$ 1,750	\$ (104,720)
Other financing sources				
Transfer in General Fund	58,000	53,137	-	111,137
Transfer out General Fund	-	-	(2,417)	(2,417)
Transfer out Capital Project Fund	-	-	-	-
Total financing sources	58,000	53,137	(2,417)	108,720
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 629	\$ 4,038	\$ (667)	\$ 4,000
Fund balance at beginning of year	643	36,819	54,855	92,317
Fund balance end of year	\$ 1,272	\$ 40,857	\$ 54,188	\$ 96,317

The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Debt Service Funds
Notes to the Financial Statements
September 30, 2008

NOTE 1 - DESCRIPTION OF FUNDS

1994 Sinking Fund - To accumulate monies for payment of up to \$1,058,000 of Sewer Revenue Bonds Series 1994. Debt Service is financed from proceeds of a revolving loan from the Department of Environmental Quality. The loan will be repaid from portions of the District's sewer fees.

1994 Reserve Fund - The Reserve Fund is a reserve required by the \$1,058,000 1994 bond issue indenture. The reserve will be financed from portions of the District's sewer user fees.

2004 Sinking Fund – The District shall deposit in this sinking fund from the first revenues of the tax received in any calendar year, a sum equal to the principal and/or interest falling due on the certificates in that calendar year.

SEWERAGE DISTRICT NO. 5
OF THE PARISH
OF ST. MARY
STATE OF LOUISIANA

Capital Projects Fund
Balance Sheet
September 30, 2008

	Renewal and Replacement Fund
<u>Assets</u>	
Cash and cash equivalents	\$ 82,162
Total Assets	<u>\$ 82,162</u>
 <u>Fund Balance</u>	
Fund Balance Reserved	<u>\$ 82,162</u>
Total Fund Balance	<u>82,162</u>
Total Liabilities and Fund Balance	<u>\$ 82,162</u>

The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO. 5
OF THE PARISH
OF ST. MARY
STATE OF LOUISIANA

Capital Projects Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended September 30, 2008

	<u>Renewal and Replacement Fund</u>
<u>Revenues</u>	
Parish Council grant	\$ 271,548
Interest income	<u>3,219</u>
Total Revenues	\$ 274,767
<u>Expenditures</u>	
Capital outlay	<u>307,143</u>
Excess of expenditures over revenues	\$ (32,376)
<u>Other Financing Sources(Uses)</u>	
Transfer In	(11,379)
Transfer Out	<u>2,417</u>
Total Financing Sources(Uses)	\$ (8,962)
Revenues and other Financing Sources over (under) expenditures and other Financing Uses	(41,338)
Fund balance at beginning of year	<u>123,500</u>
Fund balance at end of year	<u><u>\$ 82,162</u></u>

The accompanying notes are an integral part of these financial statements.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Capital Projects Funds
Notes to the Financial Statements
September 30, 2008

NOTE 1 - DESCRIPTION OF FUNDS

Renewal and Replacement Fund - To account for the receipt and expenditure of funds for the purpose of paying the costs of any unusual and extraordinary maintenance and any repairs, replacements, extensions and improvements to the system.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 174,000	\$ 204,624	\$ 204,716	\$ 92
Sewer user fees	190,300	200,600	202,394	1,794
Other income	8,082	33,230	21,427	(11,803)
Interest earned	15,000	11,140	10,697	(443)
Total revenues	\$ 387,382	\$ 449,594	\$ 439,234	\$ (10,360)
<u>Expenditures</u>				
Personal services	\$ 132,025	\$ 137,789	\$ 146,973	\$ (9,184)
Operating services	165,365	172,161	118,580	53,581
Capital outlay	2,000	25,000	41,092	(16,092)
Total expenditures	\$ 299,390	\$ 334,950	\$ 306,645	\$ 28,305
Excess of revenues over (under) expenditures	\$ 87,992	\$ 114,644	\$ 132,589	\$ 17,945
Other financing sources				
Transfer in	-	-	\$ 11,379	11,379
Transfer out	(111,818)	(111,818)	(111,137)	681
Loan Proceeds	-	-	-	-
Total other financing sources	\$ (111,818)	\$ (111,818)	\$ (99,758)	\$ 12,060
Excess of revenues over (under) expenditures and other financing (uses)	\$ (23,826)	\$ 2,826	\$ 32,831	\$ 30,005
Fund balance at beginning of year	342,889	342,889	342,889	-
Fund balance at end of year	\$ 319,063	\$ 345,715	\$ 375,720	\$ 30,005

COMPLIANCE AND INTERNAL CONTROL REPORT

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

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HERBERT J. ADAMS, JR., C.P.A.

WILLIAM H. JOHNSON, III, C.P.A.

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Sewerage District No. 5
Post Office Box 921
Amelia, LA 70340

We have audited the financial statements of the governmental activities of Sewerage District No. 5, a component unit of the St. Mary Parish Council, State of Louisiana, as of and for the year ended September 30, 2008, which collectively comprise Sewerage District No. 5's basic financial statements and have issued our report thereon dated February 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sewerage District No. 5's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sewerage District No. 5's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sewerage District No. 5's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sewerage District No. 5's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sewerage District No. 5's financial statements that is more than inconsequential will not be prevented or detected by the Sewerage District No. 5's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs identified as 08-01 to be significant deficiencies in internal control over financial reporting.

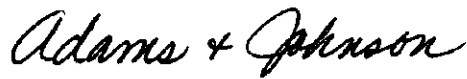
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sewerage District No. 5's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe item 08-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sewerage District No. 5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Sewerage District No. 5, the Legislative Auditor of the State of Louisiana, the finance committee of the St. Mary Parish Council. This restriction is not intended to limit the distribution of this report which, upon acceptance by Sewerage District No. 5 is a matter of public record.



ADAMS & JOHNSON
Certified Public Accountants

Patterson, LA
February 25, 2009

SEWERAGE DISTRICT NO. 5
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

A. Summary of Audit Results:

1. The auditors' report expresses an unqualified opinion on the financial statements of Sewerage District No. 5.
2. No instance of noncompliance material to the financial statements of Sewerage District No. 5, which would be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
3. One significant deficiency in internal control, which is a material weakness. See finding item 08-01.
4. The auditor has determined that there were no federal awards.
5. A management letter was not issued.

08-01 Finding: Lack of segregation of duties.

Cause: Our examination disclosed that there is not any segregation of duties within the District's accounting function, (especially in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger, and journal entries). This weakness is due to the fact that the District employs only one person to handle all accounting functions. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the District only has one employee handling the accounting functions, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle the accounting function might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with one employee handling the accounting functions and are constantly on watch for any problems that would occur.

SEWERAGE DISTRICT NO. 5

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

For the Year Ended September 30, 2008

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend the following procedures as to suggestions to compensate for the lack of segregation of duties within the District's accounting function.

- 1) Board approval for all invoices before the invoice is paid.
- 2) Require signatures of two approved Board members on each check to be written.
- 3) Have a Board member at each monthly Board meeting review the monthly bank statements to review the checks clearing the bank and bank reconciliations. This review would include comparing the information on each canceled check to the check register maintained by the bookkeeper, verifying payments were made to authorized vendors, and verifying approved signatures.
- 4) On a monthly basis the Board should review the cash disbursement journal for agreement to the check register and cancelled checks.
- 5) On a monthly basis the Board should review the general ledger and journal entries to ascertain if the recorded transactions were consistent with those previously approved by the Board.
- 6) The Board should review bank statements and journals to verify that sewer fees and tax collections are deposited timely and to agree the remittance stub information received from the sheriff. Also verify that property taxes have been correctly allocated between the general fund and the debt service fund.

This list is not intended to be all inclusive of procedures that could be instituted to strengthen internal controls but to provide suggestions that the Board may consider in order to better monitor its accounting functions.

Response: Management concurs with recommendation.

SEWERAGE DISTRICT NO. 5
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2008

A. Summary of Prior Year Findings:

06-01 Finding:

Lack of segregation of duties.

Status:

This finding still exists. See 08-01 on the schedule of the current year findings and questioned costs.